

Voluntary Furlough Program

All Funds

The New Jersey Voluntary Furlough Program is authorized by New Jersey Statutes Annotated 11A:6-1.1 and detailed in the New Jersey Administrative Code 4A:6-1.23. It applies to all State employees and employees of State colleges and universities, with the exception of Rutgers University, the University of Medicine and Dentistry of New Jersey (UMDNJ), and the New Jersey Institute of Technology (NJIT). Through an extension of the Department of Personnel's rule-making authority, it also applies to local civil service entities.

WHAT IS THE VOLUNTARY FURLOUGH PROGRAM?

The Voluntary Furlough Program (Chapter 297, P.L. 1993) is intended to reduce salary costs and thereby lessen the need for reductions in the workforce by allowing employees in the career, senior executive, or unclassified services to take up to 30 days off from work without pay in a calendar year without adversely affecting certain benefits. The furlough may be extended by up to another 60 days in a calendar year under certain conditions (see exceptions in *Rule Relaxation for State Employees* below). Furlough and the furlough extension are subject to the approval of the employer.

If you take advantage of the furlough program, you may schedule — with your employer's approval — any number of days off up to 30 days. You may choose to work shorter days, a shorter work week, or take a number of consecutive days off (similar to a leave of absence without pay) while retaining "in pay" status for certain benefit purposes. Naturally, in exchange for fewer work hours or days, you would receive proportionately less pay. But, unlike an unpaid leave of absence, a furlough would allow many employee benefits to remain in force. You would retain seniority, continue eligibility for promotional opportunities and employment lists, and would see no change in your anniversary date. If you are a full-time employee and are covered by your employer's health benefits plan, you could continue health coverage while on furlough.

If you wish to apply for a furlough extension, that is, for furlough beyond the initial 30 days, you must request these days in ten-day increments. You may take them over several weeks or months, but you must schedule ten days at a time. While on furlough extension, your seniority and anniversary date are not changed and you continue to accrue time and retain eligibility for promotion. Your health benefits, however, are no longer extended without additional cost to you (see exceptions in *Rule Relaxation for State Employees* and *State Health Benefits Program* sections below).

Rule Relaxation for State Employees

The Department of Personnel Merit System Board has issued a "rule relaxation" that allows for State employees, and employees of State colleges and State Universities (except Rutgers, UMDNJ, and NJIT), to request unlimited furlough **through the end of Fiscal Year 2004** (June 30, 2004) without loss of benefits — including employer-paid health benefits.

Under the relaxed rules, unlimited employer-approved furlough may be taken as long as there is no increase in overtime costs or the need to backfill a position and a loss of anticipated revenue does not occur. Voluntary furlough taken during this time period may be used for any purpose except for sick leave, leave without pay due to disability, or to seek or engage in alternative employment.

CONSIDERATIONS WHEN TAKING A FURLOUGH

There are a number of issues that should be addressed in order to make an informed choice. The following parts of this fact sheet identify how taking a furlough will affect certain specific benefits you may enjoy as a State employee or local civil service employee.

State Health Benefits Program (SHBP)

If you are covered by the SHBP and take a furlough on an intermittent basis (occasional days off) or con-

secutive furlough days numbering fewer than 30, there will be no effect on employer-paid health benefit coverage. If you are required to pay any share of the premiums, and there is insufficient salary earned in a pay period to cover this deduction, payment must be made by remitting your employee premium share in advance to your employer.

If you take an extended furlough (beyond 30 days), you must pay the full cost of coverage (employer and employee shares) for any pay periods — or months for State authorities, college/universities, or local civil service — in which a furlough day is taken.

Note: The payment of the full cost of health benefits coverage is waived for State employees who take furlough prior to June 30, 2004 under the “relaxed rules” adopted by the Merit System Board of the NJ Department of Personnel. You are still required to pay any share of the premiums that would normally be deducted from your regular pay.

If you are required to make payments for health benefits during a furlough, these payments must be made in advance to the employer. If payment is not received, health benefits coverage will be suspended for the pay periods in which the furlough is taken. Health benefits coverage will resume when you return to active payroll status and with the filing of an application, as is the case for any return from authorized leave of absence.

A Furlough’s Impact on Pension

The statute authorizing the furlough program is silent on the issue of pensions. Therefore, furlough is treated, for pension purposes, as an approved leave of absence without pay.

Defined Benefit Plan Pensions — The State-administered defined benefit plan pensions include the Teachers’ Pension and Annuity Fund (TPAF), Public Employees’ Retirement System (PERS), Police and Firemen’s Retirement System (PFRS), State Policemen’s Retirement System (SPRS), and Judicial Retirement System.

If you are a member of one of the State-administered defined benefit plan pensions and take a voluntary furlough, there may be some consequences regarding pension and group life insurance.

If you take your furlough in a continuous block

of time and therefore earn no pay in any given **pay period** — or any given **month** for State authorities, college/universities, or local civil service — you will receive no pension service credit for those pay periods/months since you did not work and no contributions were taken. Upon return to active payroll status, you will be able to purchase this service credit like any other authorized leave of absence.

If you take your furlough over several pay periods/months, so that there are no pay periods/months without pay, there will be no impact on your pension as long as you earned sufficient salary to take your normal pension deductions during each pay period*/month. Since your regular deduction is based on your contractual salary, you will receive credit for both service and full salary during that pay period/month if the deduction is taken.

Conversely, if you do not earn sufficient salary in any given pay period/month to cover your regular pension deductions, then you will be considered to be on a leave of absence without pay for that pay period/month.

Alternate Benefits Program (ABP) — If you are an ABP member and begin a furlough on intermittent days or for a partial month but earn more than 50 percent of your regular base salary, the full 5 percent employee deduction and the 8 percent employer share will continue to be contributed as though you received full base salary.

If you receive less than 50 percent of your base salary, no employee or employer deductions are taken and no service credit is earned for that month. Since there are no provisions for purchasing service credit in the ABP, that period of service cannot be reclaimed.

Group Life Insurance

If you take furlough on intermittent days, State group life insurance coverage will not be affected. The contributory life insurance premium (if applicable) will

**Centralized Payroll has an established sequence for taking deductions from salary. Federal income tax, Social Security, Medicare, unemployment, and disability taxes are always taken as a percentage of your gross salary. The pension deduction (current employee contribution, back deduction, and contributory life insurance) are taken after any health benefits, accident insurance, food and other maintenance deductions.*

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continue to be deducted from your paycheck at the rate you paid while receiving full salary.

If you take up to 30 continuous furlough days, group life insurance coverage will extend throughout the duration of the leave.

If a furlough extends beyond 30 continuous days, you may continue group life insurance coverage for up to 93 days by remitting the premiums in advance to your employer. This mirrors the group life insurance requirements for a leave of absence without pay for personal reasons.

If you take a furlough longer than 93 consecutive days (possible when the furlough extends over two calendar years), the group life insurance coverage will cease until you return to active employment. You may choose to convert your group life insurance coverage to a private policy with the Prudential Life Insurance Co. The converted policy would have to be surrendered when you return to active payroll status in order to reinstate your State group life insurance coverage. If you do not surrender the converted policy, you will be required to submit satisfactory proof of insurability before you can be covered again under State group life insurance coverage.

For more information, see Fact Sheet #13, *Conversion of Group Life Insurance*. To obtain this fact sheet, call the Division's Benefit Information Library at (609) 777-1931 and enter information selection number 245. After the recorded message, you can request to have this fact sheet mailed or faxed to you. You can also view Fact Sheet #13 over the Internet at: www.state.nj/treasury/pensions/fact13.htm.

Loans

If you choose to take an intermittent furlough, there will be no change or interruption in your loan repayment schedule so long as sufficient salary is earned each pay period/month to cover the pension loan deduction. Likewise, as long as you are on furlough and receive sufficient salary each pay period/month

to meet all pension obligations, you may continue to exercise the option to take a new pension loan.

If you take continuous furlough days and receive no pay, there can be no loan deductions for pay periods/months not worked. If you miss a loan payment, the period of time over which the loan is repaid will be extended. However, when you return to active payroll status your employer should contact the Division to have the loan recertified to include accrued interest when regular payments resume.

Note: Loans may only be applied for when you are in active payroll status; that is, you earn enough in a pay period/month to cover all regular deductions and receive pension service credit.

Service Purchase Payments (Arrears)

Arrears payments are handled much like loan payments. There will be no change or interruption in repayment schedules if furlough is taken intermittently and/or sufficient salary is earned in each pay period/month to cover all pension deductions.

If you take continuous furlough and no days are worked in one or more full pay periods/months, arrears payments are suspended until you return to pay status. There will be no need to recertify arrears payments upon return to active employment.

New purchase requests will also be processed by the Division so long as you have made a pension contribution within the past two years.

NJ State Employees Deferred Compensation Plan and Supplemental Annuity Collective Trust (SACT)

During a period of intermittent furlough, deductions will continue at the contracted rate based on actual base salary earned. In the event a furlough is extended, no contributions can be taken for any pay period/month without salary, or with insufficient pay to cover regular deductions.

This fact sheet has been produced and distributed by:

**New Jersey Division of Pensions and Benefits • PO Box 295 • Trenton, New Jersey 08625-0295
(609) 292-7524 • TDD for the hearing impaired (609) 292-7718**

URL: <http://www.state.nj.us/treasury/pensions> • E-mail: pensions.nj@treas.state.nj.us

This fact sheet is a summary and not intended to provide total information.

Although every attempt at accuracy is made, it cannot be guaranteed.